



FINANCIAL HEALTH INDICATORS

An overview

Local officials cannot control whether government leaders at the federal or state levels make policy changes that impact their annual revenues, such as the elimination of the Homestead Property Tax Rollback reimbursement, reductions in the Local Government Fund and the elimination of the Estate Tax. Local officials also cannot control when a major employer decides to shutter a plant and eliminate the income taxes that it generates for the community.

Despite the unpredictability of local revenues, most city and county officials in Ohio have performed well in navigating the sometimes choppy waters of local finances.

A comprehensive analysis of the financial health of Ohio's 88 counties and 247 cities determined a small percentage of them have a significant number of financial indicators which suggest fiscal stress. These indicators use financial data cities and counties report to the Auditor of State and their audit reports. Collectively, the 17 indicators provide a snapshot of an entity's fiscal

By the numbers

CITIES

275

Total number of "critical" indicators for cities

518

Total number of "cautionary" indicators for cities

217

Total number of cities with at least one "critical" or "cautionary" indicators

COUNTIES

36

Total number of "critical" indicators for counties

132

Total number of "cautionary" indicators for counties

70

Total number of counties with at least one "critical" or "cautionary" indicator

stress based on a historical analysis of cities and counties that have been declared in fiscal crisis.

Having a high number of indicators which suggest fiscal stress does not mean a community will fall into fiscal emergency, nor does it mean local officials have failed to properly manage their finances. It does mean, however, that barring a course correction, the finances of these entities are such that the community has a high probability of being declared in a state of fiscal emergency by the Auditor in the future.

Because the data used in this report are retrospective, it is important to note this report does not take into account the impact of the elimination of the Medicaid

sales tax. Based on 2015 state figures, the average county is prepared to lose 7.5 percent of its sales tax collections – and some counties will see losses greater than 10 percent in sales tax revenues, an increasingly important revenue source for counties. The impact of these losses will undoubtedly generate additional indicators of fiscal stress.